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C O N F I D E N T I A L SECTION 01 OF 02 KYIV 003036

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TAGS: [PGOV](#) [PREL](#) [PINR](#) [UP](#)
SUBJECT: UKRAINE: COALITION AGREEMENT TOO BROAD TO BE
BINDING

Classified By: Polcouns Kent Logsdon for reasons 1.4(b,d).

11. (C) Summary. Should Yuliya Tymoshenko be confirmed as Prime Minister -- a vote is scheduled for December 11 -- her government program would be based on the coalition agreement, a wide-ranging 81-page document that promises sweeping reforms across the board with an emphasis on social programs, economic reforms, and Western integration. The agreement, which was signed by 227 MPs from BYuT and Our Ukraine-People's Self-Defense (OU-PSD) and submitted to the Rada on November 29, is mostly a rehash of the BYuT and OU-PSD campaign platforms, which means it is a mix of populist promises and stated economic reform goals. Several of the program's items -- ending conscription, repaying Soviet banking debts, Ukraine's relationship with NATO -- have stirred debate within the coalition, but more of the struggle has been over senior positions, as well as 12 key pieces of legislation that President Yushchenko wants passed immediately.

12. (C) Given the agreement's overly extensive and varied list of stated priorities, along with the strains already apparent from Tymoshenko's ambitious campaign promises on the one hand and President Yushchenko's legislative demands on the other, this agreement will not be an exact roadmap of a Tymoshenko government. For example, Tymoshenko and her team have tried to downplay some of the commitments to NATO membership in the agreement -- the one major addition to the document since its 2006 iteration when a similar document was first prepared for a proposed OU, BYuT and Socialist orange government -- while OU-PSD have fought against Tymoshenko's push to end conscription immediately, repay Sberbank debts within two years, and legislate imperative mandate. Instead, this document serves as a catch-all that holds the interests for all groups with BYuT and OU-PSD, and we expect to see it implemented unevenly. End summary and comment.

What the Agreement Says

13. (SBU) The coalition agreement lays out the coalition's agenda and policy priorities for both internal and foreign affairs. It is 64-pages of text, followed by 10 detailed pages of rules on the internal structure, leadership, and etiquette of the coalition, as well as how the coalition should interact with the President and cabinet, and ending with a number of addenda that lay out the distribution of positions in the Cabinet, executive branch, and Rada. There is also an addendum listing 12 key pieces of legislation, most of which are a Yushchenko priority.

14. (SBU) Three aspects of the agreement have been the subject of debate both within the coalition.

--Conscription. Both BYuT and OU-PSD promised voters to move

to a professional army, but Tymoshenko advocated that the change take place January 1, 2008. After much back and forth, the only change made in the final coalition agreement from the draft that was circulated for signatures this fall was to replace the exact date with the language "when the necessary logistical basis (both financial and organizational) is formed." This was a key demand of Defense Minister Hrytsenko who has said publicly that it was impossible to move so quickly to eliminate conscription.

--Sberbank. Tymoshenko also promised voters that she would repay within two years the debt owed to depositors by the Soviet Sberbank (Oshchadbank in Ukrainian) -- estimated at UAH 130 billion (\$23.6 billion) after the collapse of the USSR. (This also raised an outcry from OU-PSD, who argued that such a rapid repayment schedule would bankrupt the government. Nevertheless, this remains in the agreement.

--NATO. The 2007 coalition agreement is predominantly based on the draft coalition agreement written for the proposed orange coalition after the March 2006 elections. The most significant change between 2006 and 2007 was the addition of much stronger pro-NATO language to include phrases such as "full-fledged NATO membership," which is used several times, and the call for the adoption of laws necessary for MAP accession. The language, however, still includes the requirement of a nationwide referendum before membership.

Agreement Covers Range of Issues

15. (SBU) Beyond those few more noted clauses, the coalition agreement spans the policy spectrum. In the social sphere, it calls for the improvement of education and healthcare through a variety of state-funded programs and an increase in

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subsidies for children. In the economic arena, the agreement includes: diversification of energy supplies; introduction of a land market, including all necessary laws and regulations; pension reform; tax reform; reform of the housing utilities sector; and combating corruption -- with many of these sections including detailed lists of proposed measures. On foreign policy, in addition to NATO, the agreement calls for: EU membership; the preservation and strengthening of good relations with Russia and other neighboring states; and strengthening Ukraine's position in Eastern Europe and the Black Sea Region

16. (SBU) The agreement includes a variety of internal political policies. There is discussion of constitutional reforms to improve checks and balances between different branches of power, including limiting immunity for parliamentary deputies to only official acts. It also calls for abolishing other perks for parliamentarians, creating rights for the opposition, and improving the proportional election system. The agreement also proposes adopting new laws on the Cabinet of Ministers, on central executive power agencies, on referendums, and on political parties.

Addenda: The Real Focus of Debate

17. (C) Most of the hold-ups and internal debates about the coalition agreement have focused on the addenda that distribute positions within the coalition and that list top priority laws. Under the agreement, each party was given a quota of positions which it can fill as it sees fit. Nevertheless, there have been objections over potential nominees. On December 7, Tymoshenko said that she hoped that the coalition would have worked out all personnel disagreements by December 11. Under the terms of the document, BYuT receives the prime ministership and all the economic portfolios -- Agriculture, Ecology, Economics, Fuel and Energy, Coal, Labor, Industrial Policy, Transportation and Communications, and Finance. OU-PSD receives the

speakership and all the social and national security portfolios -- Regional Development, Interior, Foreign Affairs, Culture and Tourism, Emergency Situations, Defense, Science and Education, Health, Justice, and Youth, Family, and Sports. The coalition agreement also specifies which ministers will control which state agencies, divides up the special executive bodies (like the State Property Fund and Anti-Monopoly Committee), and allocates control over the three state-owned banks. The coalition has agreed that the President will also be able to nominate the Interior Minister directly; according to the Constitution, he already has the right to nominate the Foreign and Defense Ministers.

18. (C) In addition, there are 12 laws, which the agreement stipulates should be considered before the PM vote. Yushchenko has mentioned this issue periodically in the past few weeks and Baloha has been pushing hard to pass the laws before confirming Tymoshenko, but it seems now that the Rada is likely to vote first on the PM before taking up the President's agenda. (Embassy Note: This would be difficult given the lack of committees in the Rada and the opposition's reluctance to agree to establish a special commission to quickly review the draft laws before they come to the floor for a vote. End Note.) Yushchenko's decision to submit Tymoshenko's nomination to the Rada so quickly may have signified his acceptance of this order of business. The 12 laws are: changing the constitution to eliminate parliamentary immunity; amending the law on MPs to eliminate other parliamentary perks; amending the CabMin law; a law on the opposition; a law on imperative mandate (one of the few Tymoshenko projects on the list); amending existing laws to allow for early city council and mayoral elections in Kyiv; amendments to the laws on city and local self-government; a new law on Ukraine's internal troops; changes to the state procurement system; amending laws to strip some state bodies of their status as central executive bodies; and ratification of the GUAM statute.

19. (U) Visit Embassy Kyiv's classified website:
www.state.sgov.gov/p/eur/kiev.
Taylor